

**CITY OF WEST LIBERTY**

Independent Auditor's Reports  
Basic Financial Statements and Supplementary Information  
Schedule of Findings

June 30, 2013

**CITY OF WEST LIBERTY**  
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## **CITY OF WEST LIBERTY**

### **OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chad Thomas	Mayor	January 2014
Robert Hartman	Council Member	January 2014
William Cline	Council Member	January 2016
Ethan Anderson	Council Member	January 2016
Jose Zacarias	Council Member	January 2016
Melody Russell	Council Member	January 2014
Lawrence McNaul	Interim City Manager and Chief of Police	Indefinite
Robbie Rock	Fire Chief	Indefinite
Missy Carter	City Clerk	Indefinite
Lee Geertz	Treasurer	Indefinite

**CITY OF WEST LIBERTY**

Randy L. Linn, CPA  
David A. Schebler, CPA  
Randall B. Sovey, CPA

# **HUCKFELDT & SMITH**

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL LIABILITY COMPANY  
**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council:

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Liberty, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

## Management's Responsibility for the financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## CITY OF WEST LIBERTY

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### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of West Liberty, Iowa as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 11 and 40 through 43 be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Liberty, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which is not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CITY OF WEST LIBERTY

Page Three

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2013 on our consideration of the City of West Liberty, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of West Liberty, Iowa's internal control over financial reporting and compliance.



HUCKFELDT & SMITH, P.L.C.

November 8, 2013

**CITY OF WEST LIBERTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of West Liberty provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2012 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities decreased 15%, or approximately \$430,000, from fiscal year 2012 to fiscal year 2013. Property tax increased approximately \$58,000.

Program expenses of the City's governmental activities increased 7%, or approximately \$195,000, from fiscal year 2012 to fiscal year 2013. Public safety expenses increased approximately \$223,000. Public works expenses decreased approximately \$8,000.

The City's net assets decreased 1%, or approximately \$315,000, from June 30, 2012 to June 30, 2013. Of this amount, the net assets of the governmental activities decreased approximately \$322,000 and the net assets of the business type activities increased approximately \$7,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City of West Liberty as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City of West Liberty's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds, bonds, and notes payable, legal debt margin, restricted accounts required by bond ordinances, and fiscal year sewer rates and customers.

**CITY OF WEST LIBERTY**  
Management's Discussion and Analysis  
June 30, 2013

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report two kinds of activities:

- Governmental activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, local option sales tax and state and federal grants finance most of these activities.
- Business type activities include the water, the sanitary sewer system, the electric system and the City's solid waste system. These activities are financed primarily by user charges.

### **Fund Financial Statements**

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

**CITY OF WEST LIBERTY**  
Management's Discussion and Analysis  
June 30, 2013

Fund Financial Statements (Continued)

2. Proprietary funds account for the City's Enterprise Funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Funds include the Water, Sewer, Electric and Solid Waste Funds, each considered to be a major fund of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental and business type activities.

Net Assets at Year-End						
	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 3,575,256	\$ 3,010,481	\$ 5,674,897	\$ 6,114,630	\$ 9,250,153	\$ 9,125,111
Capital Assets	10,492,590	10,699,220	16,470,528	15,911,071	26,963,118	26,610,291
Total Assets	14,067,846	13,709,701	22,145,425	22,025,701	36,213,271	35,735,402
Long-Term Liabilities	3,346,010	2,628,742	5,196,478	6,274,134	8,542,488	8,902,876
Other Liabilities	2,540,360	2,577,004	2,321,538	1,130,987	4,861,898	3,707,991
Total Liabilities	5,886,370	5,205,746	7,518,016	7,405,121	13,404,386	12,610,867
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	7,083,079	8,079,990	11,036,187	9,815,146	18,119,266	17,895,136
Restricted	2,375,841	1,269,084	2,827,043	2,794,628	5,202,884	4,063,712
Unrestricted	(1,277,444)	(845,119)	764,179	2,010,806	(513,265)	1,165,687
Total Net Assets	\$ 8,181,476	\$ 8,503,955	\$ 14,627,409	\$ 14,620,580	\$ 22,808,885	\$ 23,124,535

Net assets of governmental activities decreased from fiscal year 2012 by approximately \$322,500, or 4%. Net assets of business type activities increased from fiscal year 2012 by approximately \$7,000 or 0%. The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of the net assets that can be used to

**CITY OF WEST LIBERTY**  
Management's Discussion and Analysis  
June 30, 2013

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements is approximately \$(513,000) at the end of this year.

	2013	2012	2013	2012	2013	2012
<b>Program Revenues:</b>						
Charges for Service	\$ 220,137	\$ 246,369	\$ 7,688,005	\$ 7,525,911	\$ 7,908,142	\$ 7,772,280
Operating Grants, Contributions and Restricted Interest	509,909	585,086	0	0	509,909	585,086
Capital Grants, Contributions and Restricted Interest	97,374	271,590	0	0	97,374	271,590
<b>General Revenues:</b>						
Property Tax Levied For:						
General Purposes	1,036,337	978,468	0	0	1,036,337	978,468
Debt Service	34,494	34,156	0	0	34,494	34,156
Tax Increment Financing Revenues	130,930	129,404	0	0	130,930	129,404
Local Option Sales Tax	354,499	399,937	0	0	354,499	399,937
Unrestricted Investment Earnings	2,286	2,956	29,771	47,754	32,057	50,710
<b>Total Revenues</b>	<b>2,385,966</b>	<b>2,647,966</b>	<b>7,717,776</b>	<b>7,573,665</b>	<b>10,103,742</b>	<b>10,221,631</b>
<b>Program Expenses:</b>						
Public Safety	1,033,777	810,615	0	0	1,033,777	810,615
Public Works	254,994	263,397	0	0	254,994	263,397
Culture and Recreation	713,654	718,947	0	0	713,654	718,947
General Government	740,449	758,460	0	0	740,449	758,460
Interest on Long-Term Debt	98,804	95,423	0	0	98,804	95,423
Water	0	0	484,322	546,612	484,322	546,612
Sewer	0	0	2,077,014	2,380,991	2,077,014	2,380,991
Electric	0	0	4,567,918	4,926,570	4,567,918	4,926,570
Solid Waste	0	0	478,365	452,848	478,365	452,848
<b>Total Expenses</b>	<b>2,841,678</b>	<b>2,646,842</b>	<b>7,607,619</b>	<b>8,307,021</b>	<b>10,449,297</b>	<b>10,953,863</b>
Transfers In	367,387	1,110,963	0	0	367,387	1,110,963
Transfers (Out)	(264,059)	(255,763)	(103,328)	(855,200)	(367,387)	(1,110,963)
<b>Change in Net Assets</b>	<b>(322,479)</b>	<b>856,324</b>	<b>6,829</b>	<b>(1,588,556)</b>	<b>(315,650)</b>	<b>(732,232)</b>
<b>Net Assets Beginning of Year</b>	<b>8,503,955</b>	<b>7,647,631</b>	<b>14,620,580</b>	<b>16,209,136</b>	<b>23,124,535</b>	<b>23,856,767</b>
<b>Net Assets End of Year</b>	<b>\$ 8,181,476</b>	<b>\$ 8,503,955</b>	<b>\$ 14,627,409</b>	<b>\$ 14,620,580</b>	<b>\$ 22,808,885</b>	<b>\$ 23,124,535</b>

**CITY OF WEST LIBERTY**  
Management's Discussion and Analysis  
June 30, 2013

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

Revenues for governmental activities decreased approximately \$262,000 over the prior year, with capital grants, contributions and restricted interest decreasing approximately \$249,400.

The cost of all governmental activities this year was approximately \$2.8 million compared to approximately \$2.6 million last year. However, as shown in the Statement of Activities on page 12, the amount the taxpayers ultimately financed for these activities was only \$1.6 million because some of the cost was paid by those directly benefited from the programs (\$220,000) or by other governments and organizations which subsidized certain programs with grants and contributions (\$607,000).

Revenues for business type activities increased approximately \$144,000 from the prior year while total expenses were approximately \$699,000 lower than the prior fiscal year.

**INDIVIDUAL MAJOR FUND ANALYSIS**

**Governmental Fund Highlights**

As the City of West Liberty completed the year, its governmental funds reported a combined fund balance of \$956,000, which is more than the \$555,000 total fund balance at June 30, 2012. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund showed an increase in fund balance of \$772,000 from the prior year to \$1,718,800.

The Capital Projects, Street Improvement Fund accounts for the annual capital improvements to the City's streets and roadway infrastructure. The fund ended fiscal year 2013 with a \$636,000 deficit balance. Capital project expenditures exceeded Local option tax proceeds and interest income exceeded capital projects expenditures increasing fund balance by \$73,000.

**Proprietary Fund Highlights**

The Enterprise, Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal year 2013 with a \$1,812,000 net asset balance compared to the prior year ending net asset balance of \$1,675,000.

The Enterprise, Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal year 2013 with a \$6,163,000 net asset balance compared to the prior year ending net asset balance of \$5,783,000.

The Enterprise, Electric Fund, which accounts for the operation and maintenance of the City's electric system, ended fiscal year 2013 with a \$6,841,900 net asset balance compared to the prior year ending net asset balance of \$7,194,000.

**CITY OF WEST LIBERTY**  
Management's Discussion and Analysis  
June 30, 2013

Proprietary Fund Highlights (Continued)

The Enterprise, Solid Waste Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal year 2013 with a \$189,000 net deficit balance compared to the prior year ending net deficit balance of \$(32,000).

Budgetary Highlights

Over the course of the year, the City of West Liberty amended its budget one time. The amendment was done in May, 2013. This amendment was needed to cover unplanned disbursements.

The City's receipts were \$917,000 less than budgeted receipts, a variance of 8%. Total disbursements were \$3,526,000 less than budgeted. Actual disbursements for the business type activities functions were \$3,631,000 less than budgeted.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals, and other infrastructure. Capital assets for governmental activities totaled \$10,492,600 (net of accumulated depreciation) at June 30, 2013. Capital assets for business type activities totaled \$16,470,500 (net of accumulated depreciation) at June 30, 2013. See Note 3 to the financial statements for more information about the City's capital assets.

Long-Term Debt

At June 30, 2013, the City had \$3,435,000 before issuance costs of outstanding general obligation bonds and notes for governmental activities. Total debt outstanding for business type activities was \$5,530,000 before issuance costs at June 30, 2013.

The Constitution of the State of Iowa limits the amount of general obligation debt Cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City of West Liberty's outstanding general obligation debt is below its constitutional debt limit of approximately \$6,800,000 million. Additional information about the City's long-term debt is presented on Note 4 to the financial statements.

**CITY OF WEST LIBERTY**  
Management's Discussion and Analysis  
June 30, 2013

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Several economic factors affected decisions made by the City of West Liberty in setting its fiscal 2014 budget. The City of West Liberty will experience insignificant changes in General Fund revenues and expenditures from fiscal year 2013 to fiscal year 2014. Inflation has been modest here, due, in part, to the slowing of the residential housing market state-wide, but there has been an increase in energy prices, which will also be a major influence on the budget.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information please contact the City Manager; City of West Liberty, 409 N. Calhoun Street, West Liberty, Iowa 52776 or by telephone at (319) 627-2418.

**CITY OF WEST LIBERTY**  
**BASIC FINANCIAL STATEMENTS**



CITY OF WEST LIBERTY  
Statement of Net Assets  
June 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Pooled Investments	\$ 150,737	\$ 715,800	\$ 866,537
Receivables:			
Property Tax:			
Delinquent	49,970	0	49,970
Succeeding Year	1,058,307	0	1,058,307
Tax Increment Financing:			
Succeeding Year	127,629	0	127,629
Customer Accounts and Unbilled Usage (Net of Allowance for Uncollectibles)	0	1,100,131	1,100,131
Accounts	49,251	4,706	53,957
Accrued Interest	62	1,182	1,244
Due From Other Governments	5,301	0	5,301
Interfund Loan Receivable	0	181,777	181,777
Internal Balances	1,755,240	262,267	2,017,507
Inventories	0	201,024	201,024
Prepaid Expenses	70,470	91,916	162,386
Restricted Assets:			
Cash and Pooled Investments	308,289	3,116,094	3,424,383
Capital Assets (Net of Accumulated Depreciation)	10,492,590	16,470,528	26,963,118
<b>Total Assets</b>	<b>\$ 14,067,846</b>	<b>\$ 22,145,425</b>	<b>\$ 36,213,271</b>
<b>Liabilities</b>			
Accounts Payable	\$ 64,550	\$ 373,301	\$ 437,851
Accrued Interest Payable	4,892		4,892
Salaries and Benefits Payable	24,771	19,128	43,899
Due to Other Governments	340	5,255	5,595
Interfund Loan Payable	181,777		181,777
Internal Balances	747,934	1,269,573	2,017,507
Payable From Restricted Assets	0	92,461	92,461
Deferred Revenue:			
Succeeding Year Property Tax	1,058,307		1,058,307
Succeeding Year Tax Increment Financing	127,629		127,629
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
General Obligation Bonds/Notes	315,000		315,000
Revenue Notes Payable	0	545,000	545,000
Bank Note	0	283	283
Compensated Absences	15,160	16,537	31,697
Portion Due or Payable After One Year:			
General Obligation Bonds/Notes (Net of \$65,489 Unamortized Discount)	3,094,511	0	3,094,511
Revenue Notes Payable (Net of of \$96,212 Unamortized Discount)	0	4,888,788	4,888,788
Retirement Incentive	79,805	146,734	226,539
Net OPEB Liability	171,694	160,956	332,650
<b>Total Liabilities</b>	<b>\$ 5,886,370</b>	<b>\$ 7,518,016</b>	<b>\$ 13,404,386</b>

CITY OF WEST LIBERTY  
Statement of Net Assets (Continued)  
June 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	\$ 7,083,079	\$ 11,036,187	\$ 18,119,266
Capital Improvements	0	1,904,719	1,904,719
Debt Service	121,970	0	121,970
Special Revenue Funds	427,463	0	427,463
Insurance Reserve	252,607	0	252,607
Fire Operations and Reserve	283,913	0	283,913
Cemetery Activities and Operations	112,483	0	112,483
Library Activities and Operations	909,946	0	909,946
Ambulance Activities and Operations	264,918	0	264,918
Other Purposes	2,541	0	2,541
Revenue Note Retirement	0	922,324	922,324
Unrestricted	<u>(1,277,444)</u>	<u>764,179</u>	<u>(513,265)</u>
<b>Total Net Assets</b>	<u><u>\$ 8,181,476</u></u>	<u><u>\$ 14,627,409</u></u>	<u><u>\$ 22,808,885</u></u>

**City of West Liberty**  
Statement of Activities  
Year Ended June 30, 2013

Function/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Government Activities:</b>							
Public Safety	\$ 1,033,777	\$ 177,555	\$ 34,568	\$ 97,374	\$ (724,280)	\$ 0	\$ (724,280)
Public Works	254,994	0	363,062	0	108,068	0	108,068
Culture and Recreation	713,654	31,665	17,910	0	(664,079)	0	(664,079)
General Government	740,444	10,817	93,794	0	(635,833)	0	(635,833)
Interest on Long-Term Debt	98,804	0	575	0	(98,229)	0	(98,229)
<b>Total Governmental Activities</b>	<b>2,841,673</b>	<b>220,037</b>	<b>509,909</b>	<b>97,374</b>	<b>(2,014,353)</b>	<b>0</b>	<b>(2,014,353)</b>
<b>Business Type Activities:</b>							
Water	484,322	659,906	0	0	0	175,584	175,584
Sewer	2,077,014	2,514,016	0	0	0	437,002	437,002
Electric	4,567,918	4,193,699	0	0	0	(374,219)	(374,219)
Solid Waste	478,365	320,384	0	0	0	(157,981)	(157,981)
<b>Total Business Type Activities</b>	<b>7,607,619</b>	<b>7,688,005</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>80,386</b>	<b>80,386</b>
<b>Total Function/Programs</b>	<b>\$ 10,449,292</b>	<b>7,908,042</b>	<b>\$ 509,909</b>	<b>\$ 97,374</b>	<b>(2,014,353)</b>	<b>80,386</b>	<b>(1,933,967)</b>
<b>General Revenues:</b>							
Property and Other City Tax Levied for:							
General Purposes					1,036,337	0	1,036,337
Debt Service					34,494	0	34,494
Tax Increment Financing					130,930	0	130,930
Local Option Sales Tax					384,499	0	384,499
Unrestricted Investment Earnings					2,286	29,771	32,057
<b>Total General Revenues</b>					<b>1,588,546</b>	<b>29,771</b>	<b>1,618,317</b>
Transfers In							
Transfers (Out)					367,387	0	367,387
					(264,059)	(103,328)	(367,387)
<b>Change in Net Assets</b>					<b>(322,479)</b>	<b>6,829</b>	<b>(315,650)</b>
<b>Net Assets Beginning of Year</b>					<b>8,503,955</b>	<b>14,620,580</b>	<b>23,124,535</b>
<b>Net Assets End of Year</b>					<b>\$ 8,181,476</b>	<b>\$ 14,627,409</b>	<b>\$ 22,808,885</b>

## CITY OF WEST LIBERTY

## Balance Sheet

## Governmental Funds

June 30, 2013

		Capital Projects		
		Street		
	General	Improvement	Nonmajor	Total
<b><u>Assets</u></b>				
Cash and Pooled Investments	\$ 459,026	\$ 0	\$ 0	\$ 459,026
Receivables:				
Property Tax:				
Delinquent	15,492	0	3,883	19,375
Succeeding Year	947,084	0	111,223	1,058,307
Tax Increment Financing:				
Succeeding Year	0	0	127,629	127,629
Accounts (Net of Allowance for Uncollectibles)	49,249	0	0	49,249
Accrued Interest	62	0	0	62
Due from Other Funds	1,236,341	0	518,899	1,755,240
Due From Other Governments	5,301	0	30,595	35,896
Prepaid Expenditures	54,771	0	15,698	70,469
Total Assets	<u>\$ 2,767,326</u>	<u>\$ 0</u>	<u>\$ 807,927</u>	<u>\$ 3,575,253</u>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Accounts Payable	\$ 62,669	\$ 0	\$ 1,882	\$ 64,551
Salaries and Benefits Payable	22,980	0	1,790	24,770
Due to Other Funds	17,520	636,458	93,956	747,934
Due to Other Governments	340	0	0	340
Deferred Revenue:				
Succeeding Year Property Tax	947,084	0	111,225	1,058,309
Succeeding Year Tax Increment Financing	0	0	127,629	127,629
Total Liabilities	<u>1,050,593</u>	<u>636,458</u>	<u>336,482</u>	<u>2,023,533</u>
Fund Balances:				
Nonspendable:				
Prepaid Expenditures	54,771	0	15,968	70,739
Restricted For:				
Debt Service		0	121,970	121,970
Cemetery Operations	67,691	0	0	67,691
Road Use	0	0	405,886	405,886
Community Development	0	0	21,577	21,577
Assigned For:				
Insurance Reserve	252,607	0	0	252,607
Fire Operation and Reserve	283,913	0	0	283,913
Cemetery Activities and Operations	44,792	0	0	44,792
Library Activities and Operations	909,946	0	0	909,946
Ambulance Activities and Operations	264,918	0	0	264,918
Other Purposes	2,541	0	0	2,541
Unassigned	(164,446)	(636,458)	(93,956)	(894,860)
Total Fund Balances	<u>1,716,733</u>	<u>(636,458)</u>	<u>471,445</u>	<u>1,551,720</u>
Total Liabilities and Fund Balances	<u>\$ 2,767,326</u>	<u>\$ 0</u>	<u>\$ 807,927</u>	<u>\$ 3,575,253</u>

**City of West Liberty**  
 Reconciliation of the Balance Sheet -  
 Governmental Funds to the Statement of Net Assets  
 Year Ended June 30, 2013

<b>Total Governmental Fund Balances (Page 14)</b>	\$	1,551,720
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*Amounts reported for governmental activities in the Statement of Net Assets are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$17,768,245 and the accumulated depreciation is \$7,267,007.		10,501,238
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Long-term liabilities, including bonds/notes payable, compensated absences payable, retirement incentives payable, accrued interest payable, interfund loan payable, and other postemployment benefits payable are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		<u>3,871,482</u>
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<b>Net Assets of Governmental Activities (Page 12)</b>	\$	<u><u>15,924,440</u></u>
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**City of West Liberty**  
Statement of Revenues, Expenditures  
and Changes in Fund Balances (Deficit)  
Governmental Funds  
Year Ended June 30, 2013

	Capital Projects			
	Street			
	General	Improvement	Nonmajor	Total
Revenues:				
Property Tax	\$ 959,560	\$ 0	\$ 111,271	\$ 1,070,831
Tax Increment Financing	0	0	130,930	130,930
Other City Tax	256,333	0	0	256,333
Licenses and Permits	22,424	0	0	22,424
Use of Money and Property	29,752	128,166	590	158,508
Intergovernmental	54,819	0	362,240	417,059
Charges for Service	191,365	0	0	191,365
Miscellaneous	37,470	0	0	37,470
Total Revenues	1,551,723	128,166	605,031	2,284,920
Expenditures:				
Operating:				
Public Safety	737,174	0	0	737,174
Public Works	73,221	0	174,179	247,400
Culture and Recreation	824,134	0	0	824,134
General Government	150,793	0	0	150,793
Debt Service	0	0	418,499	418,499
Capital Projects	343,119	0	0	343,119
Total Expenditures	2,128,441	0	592,678	2,721,119
Excess (Deficiency) of Revenues Over (Under) Expenditures	(576,718)	128,166	12,353	(436,199)
Other Financing Sources (Uses):				
Proceeds of Capital Related Debt	1,349,120	0	0	1,349,120
Operating Transfers In	68,760	0	298,627	367,387
Operating Transfers (Out)	(70,999)	(54,860)	(138,200)	(264,059)
Total Other Financing Sources (Uses)	1,346,881	(54,860)	160,427	1,452,448
Net Change in Fund Balances	770,163	73,306	172,780	1,016,249
Fund Balances (Deficit) Beginning of Year	946,570	(709,764)	(298,665)	(61,859)
Fund Balances (Deficit) End of Year	\$ 1,716,733	\$ (636,458)	\$ (125,885)	\$ 954,390

**City of West Liberty**  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances (Deficit) -  
Governmental Funds to the Statement of Activities  
Year Ended June 30, 2013

**Net Change in Fund Balances - Total Governmental Funds (Page 16)** **\$ 1,016,249**

*Amounts reported for governmental activities in the Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for Capital Assets	\$ 308,024	
Depreciation Expense	<u>(589,651)</u>	(281,627)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Proceeds		(1,349,120)
Repaid		<u>338,600</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated Absences	\$ (5,336)	
Other Postemployment Benefits	(32,774)	
Current Year Retirement Incentive Expense	(1,205)	
Interest on Long-Term Debt	<u>(7,266)</u>	<u>(46,581)</u>

**Change in Net Assets of Governmental Activities (Page 13)** **\$ (322,479)**

CITY OF WEST LIBERTY  
Statement of Net Assets  
Proprietary Funds  
June 30, 2013

	Enterprise Funds				
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Assets</b>					
Cash and Pooled Investments	\$ 0	\$ 0	\$ 685,800	\$ 30,000	\$ 715,800
Receivables (Net of Allowance for Uncollectibles):					
Customer Accounts and Unbilled Usage	113,410	302,108	631,088	53,525	1,100,131
Accounts	0	0	4,706	0	4,706
Accrued Interest	127	30	995	30	1,182
Interfund Loan Receivable	0	0	181,777	0	181,777
Due From Other Funds	0	262,267	0	0	262,267
Inventories	42,470	819	157,735	0	201,024
Prepaid Expenses	8,830	14,611	60,982	7,493	91,916
Restricted Cash and Pooled Investments	777,718	1,092,623	1,228,553	17,200	3,116,094
Capital Assets (Net of Accumulated Depreciation)	1,514,191	8,082,116	6,795,000	79,221	16,470,528
<b>Total Assets</b>	<b>\$ 2,456,746</b>	<b>\$ 9,754,574</b>	<b>\$ 9,746,636</b>	<b>\$ 187,469</b>	<b>\$ 22,145,425</b>
<b>Liabilities</b>					
Accounts Payable	\$ 4,977	\$ 47,488	\$ 309,494	\$ 11,342	\$ 373,301
Salaries and Benefits Payable	2,180	4,340	9,070	3,538	19,128
Due to Other Funds	571,550	0	365,976	332,047	1,269,573
Due to Other Governments	0	0	5,255	0	5,255
Payable From Restricted Assets:					
Payable From Restricted Assets	0	19,418	73,043	0	92,461
General Obligation Bonds/Notes	0	0	0	0	0
Revenue Notes Payable	0	150,000	395,000	0	545,000
Bank Note Payable Due Within One Year	0	0	0	283	283
Long-Term Liabilities:					
Revenue Notes Payable	0	3,278,039	1,610,749	0	4,888,788
Compensated Absences	4,452	2,695	6,292	3,098	16,537
Retirement Incentive	31,500	52,884	49,850	12,500	146,734
Net OPEB Liability	29,821	36,873	80,048	14,214	160,956
<b>Total Liabilities</b>	<b>\$ 644,480</b>	<b>\$ 3,591,737</b>	<b>\$ 2,904,777</b>	<b>\$ 377,022</b>	<b>\$ 7,518,016</b>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	\$ 1,514,191	\$ 4,653,807	\$ 4,789,251	\$ 78,938	\$ 11,036,187
Restricted for:					
Revenue Note Retirement	0	349,163	573,161	0	922,324
Improvement	777,718	512,693	597,108	17,200	1,904,719
Unrestricted	(479,643)	647,174	882,339	(285,691)	764,179
<b>Total Net Assets</b>	<b>\$ 1,812,266</b>	<b>\$ 6,162,837</b>	<b>\$ 6,841,859</b>	<b>\$ (189,553)</b>	<b>\$ 14,627,409</b>



CITY OF WEST LIBERTY  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended June 30, 2013

	Enterprise Funds				
	Water	Sewer	Electric	Solid Waste	Total
Operating Revenues:					
Charges for Service	\$ 659,906	\$ 2,514,016	\$ 4,193,699	\$ 320,384	\$ 7,688,005
Total Operating Revenues	<u>659,906</u>	<u>2,514,016</u>	<u>4,193,699</u>	<u>320,384</u>	<u>7,688,005</u>
Operating Expenses:					
Business Type Activities					
Cost of Sales and Services	370,275	1,481,861	4,142,972	441,483	6,436,591
Depreciation	114,047	361,470	369,670	36,523	881,710
Total Operating Expenses	<u>484,322</u>	<u>1,843,331</u>	<u>4,512,642</u>	<u>478,006</u>	<u>7,318,301</u>
					0
Operating Income (Loss)	<u>175,584</u>	<u>670,685</u>	<u>(318,943)</u>	<u>(157,622)</u>	<u>369,704</u>
Non-Operating Revenues (Expenses):					
Interest Income	3,095	4,742	21,688	246	29,771
Interest Expense	0	(233,683)	(55,276)	(359)	(289,318)
Transfers (Out)	(41,279)	(62,049)	0	0	(103,328)
Total Non-Operating Revenues (Expenses)	<u>(38,184)</u>	<u>(290,990)</u>	<u>(33,588)</u>	<u>(113)</u>	<u>(362,875)</u>
Change in Net Assets	137,400	379,695	(352,531)	(157,735)	6,829
Net Assets Beginning of Year	<u>1,674,866</u>	<u>5,783,142</u>	<u>7,194,390</u>	<u>(31,818)</u>	<u>14,620,580</u>
Net Assets End of Year	<u>\$ 1,812,266</u>	<u>\$ 6,162,837</u>	<u>\$ 6,841,859</u>	<u>\$ (189,553)</u>	<u>\$ 14,627,409</u>

CITY OF WEST LIBERTY  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2013

	Enterprise Funds			
	Water	Sewer	Electric	Solid Waste
Cash Flows From Operating Activities:				Total
Cash Received From Customers and Users	\$ 657,051	\$ 2,554,853	\$ 4,121,014	\$ 7,649,264
Cash Paid for Sales and Services	(390,027)	(1,503,334)	(4,187,280)	(6,501,283)
Net Cash Provided (Used) by Operating Activities	267,024	1,051,519	(66,266)	1,147,981
Cash Flows From Noncapital Financing Activities:				
Advances to Other Funds, net of Repayments	164,353	262,086	564,672	1,107,689
Cash Flows From Capital and Related Financing Activities:				
Acquisition of Capital Assets	(302,997)	(790,940)	(347,232)	(1,441,169)
Principal Paid on Notes Payable	0	(233,764)	(390,000)	(635,999)
Principal Received on Notes Payable	0	0	39,922	39,922
Interest Paid on Notes Payable	0	(233,753)	(46,045)	(280,105)
Net Cash Used for Capital and Related Financing Activities	(302,997)	(1,258,457)	(743,355)	(2,317,351)
Cash Flows From Investing Activities:				
Interest on Investments	3,230	505	22,077	26,072
Net Increase (Decrease) in Cash and Cash Equivalents	131,610	55,653	(222,872)	(35,609)
Cash and Cash Equivalents Beginning of Year	646,108	1,036,970	2,154,225	3,884,503
Cash and Cash Equivalents End of Year	\$ 777,718	\$ 1,092,623	\$ 1,931,353	\$ 3,848,894

See Notes to Financial Statements.

CITY OF WEST LIBERTY  
Statement of Cash Flows (Continued)  
Proprietary Funds  
Year Ended June 30, 2013

	Enterprise Funds				Total
	Water	Sewer	Electric	Solid Waste	
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>					
Operating Income (Loss)	\$ 175,584	\$ 670,685	\$ (318,943)	\$ (157,622)	\$ 369,704
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	114,047	361,470	369,670	36,523	881,710
(Increase) Decrease in Customer Accounts Receivable and Unbilled Usage and Other Accounts Receivable	(2,855)	40,837	(72,685)	(4,208)	(38,911)
(Increase) Decrease in Inventories, at Cost	(532)	33	(38,241)	0	(38,740)
Increase in Prepaid Expenses	(1,382)	(2,459)	(9,354)	6,427	(6,768)
Increase (Decrease) in Accounts Payable	(26,548)	(31,232)	1,925	10,226	(45,629)
Increase (Decrease) in Salaries Payable	(363)	1,059	2,363	323	3,382
Decrease in Customer Deposits	0	(67)	(17,039)	0	(17,106)
Increase in Due to Other Governments	0	0	(100)	(2)	(102)
Increase (Decrease) in Accrued Compensated Absences	3,536	1,779	254	1,404	6,973
Increase in Accrued Retirement Incentive	10	9,414	1,055	0	10,479
Increase in Net OPEB Obligation	5,527	0	14,829	2,633	22,989
Net Cash Provided (Used) by Operating Activities	<u>\$ 267,024</u>	<u>\$ 1,051,519</u>	<u>\$ (66,266)</u>	<u>\$ (104,296)</u>	<u>\$ 1,147,981</u>
<b>Reconciliation of Cash and Cash Equivalents at Year End to Specific Assets Included on the Statement of Net Assets:</b>					
Current Assets:					
Cash and Pooled Investments	\$ 0	\$ 0	\$ 685,800	\$ 30,000	\$ 715,800
Restricted Assets:					
Cash and Pooled Investments:					
Revenue Note Retirement	0	349,163	573,161	0	922,324
Improvement	777,718	743,460	597,108	17,200	2,135,486
Refundable to Customers	0	0	75,284	0	75,284
Cash and Cash Equivalents at Year End	<u>\$ 777,718</u>	<u>\$ 1,092,623</u>	<u>\$ 1,931,353</u>	<u>\$ 47,200</u>	<u>\$ 3,848,894</u>

See Notes to Financial Statements.

## **CITY OF WEST LIBERTY**

### **Notes to Financial Statements**

**June 30, 2013**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of West Liberty is a political subdivision of the State of Iowa located in Muscatine County. It was first incorporated in 1867 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. The City of West Liberty provides numerous services to citizens, including public safety, public works, culture and recreation, and general government services. It also provides electric, water, sewer and solid waste utilities.

The financial statements of the City of West Liberty have been prepared in conformity with the U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

##### **A. Reporting Entity**

For financial reporting purposes, the City of West Liberty has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City and such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

##### **Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Muscatine County Assessor's Conference Board, Muscatine County Emergency Management Commission, Muscatine County Landfill Commission and Muscatine County Joint E911 Service Board.

##### **B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

**CITY OF WEST LIBERTY**  
Notes to Financial Statements  
June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation (Continued)**

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories.

*Invested in capital assets, net of related debt* consist of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues from general and emergency levies and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

**Capital Projects:**

The Street Improvement Fund is used to account for the collection of local option tax and the expenditure of those funds on street improvements.

**CITY OF WEST LIBERTY**  
Notes to Financial Statements  
June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Projects (Continued):

The City reports the following major proprietary funds:

Enterprise:

The Electric Fund is used to account for the operation and maintenance of the City's electric system.

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's Wastewater treatment and sanitary sewer system.

The Solid Waste Fund is used to account for the operation and maintenance of the City's solid waste collection system.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursement from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, compensated absences, and retirement incentives are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

**CITY OF WEST LIBERTY**  
Notes to Financial Statements  
June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

Under term of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

**Cash, Pooled Investments and Cash Equivalents** – The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments consist of non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash.

**Property Tax Receivable, Including Tax Increment Financing** – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking, is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2013 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes

**CITY OF WEST LIBERTY**  
Notes to Financial Statements  
June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Fund Equity (Continued)**

set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivables have been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March 2011.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due From and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in/first-out method. Inventories in the Enterprise Funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the City) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of three years.



**CITY OF WEST LIBERTY**  
Notes to Financial Statements  
June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Fund Equity (Continued)**

<u>Asset Class</u>	<u>Amount</u>
Land, Buildings and Improvements	\$ 25,000
Equipment and Vehicles	\$ 2,500
Infrastructure	\$ 35,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (in Years)</u>
Buildings	40-50
Improvements Other Than Buildings	15-50
Vehicles	3-15
Equipment	5-30
Infrastructure	15-20

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

**CITY OF WEST LIBERTY**  
Notes to Financial Statements  
June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Fund Equity (Continued)**

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally ed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**NOTE 2 – CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

# **CITY OF WEST LIBERTY**

## **Notes to Financial Statements**

June 30, 2013

### **NOTE 3 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,317,540	\$ 0	\$ 0	\$ 1,317,540
Total Capital Assets Not Being Depreciated	<u>1,317,540</u>	<u>0</u>	<u>0</u>	<u>1,317,540</u>
Capital Assets Being Depreciated:				
Buildings	4,619,086	326,783	0	4,945,869
Improvements Other Than Buildings	1,100,389	0	0	1,100,389
Equipment and Vehicles	1,728,330	77,886	(37,283)	1,768,933
Infrastructure, Road Network	8,635,514	0	0	8,635,514
Total Capital Assets Being Depreciated	<u>16,083,319</u>	<u>404,669</u>	<u>(37,283)</u>	<u>16,450,705</u>
Less Accumulated Depreciation For:				
Buildings	1,969,081	97,177	0	2,066,258
Improvements Other Than Buildings	584,434	48,333	0	632,767
Equipment and Vehicles	1,096,121	169,468	(37,283)	1,228,306
Infrastructure, Road Network	3,055,003	284,673	0	3,339,676
Total Accumulated Depreciation	<u>6,704,639</u>	<u>599,651</u>	<u>(37,283)</u>	<u>7,267,007</u>
Total Capital Assets Being Depreciated, Net	<u>9,378,680</u>	<u>(194,982)</u>	<u>0</u>	<u>9,183,698</u>
Governmental Activities Capital Assets, Net	<u>10,696,220</u>	<u>(194,982)</u>	<u>0</u>	<u>10,501,238</u>
<b>Business Type Activities:</b>				
Capital Assets Being Depreciated:				
Buildings	2,484,895	0	0	2,484,895
Equipment and Vehicles	21,635,709	557,565	190,832	22,384,106
Infrastructure, Water and Sewer Network	9,137,095	883,604	0	10,020,699
Total Capital Assets Being Depreciated	<u>33,257,699</u>	<u>1,441,169</u>	<u>190,832</u>	<u>34,889,700</u>
Less Accumulated Depreciation For:				
Buildings	872,287	76,537	0	948,824
Equipment and Vehicles	9,991,734	158,719	0	10,150,453
Infrastructure, Water and Sewer Network	6,482,609	646,454	190,832	7,319,895
Total Accumulated Depreciation	<u>17,346,630</u>	<u>881,710</u>	<u>190,832</u>	<u>18,419,172</u>
Total Capital Assets Being Depreciated, Net	<u>15,911,069</u>	<u>559,459</u>	<u>0</u>	<u>16,470,528</u>
Business Type Activities Capital Assets, Net	<u>15,911,069</u>	<u>559,459</u>	<u>0</u>	<u>16,470,528</u>

**CITY OF WEST LIBERTY**  
Notes to Financial Statements  
June 30, 2013

**NOTE 3 – CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions of the City as follows:

Governmental Activities:

Public Safety	\$ 89,527
Public Works	366,163
Culture and Recreation	128,474
General Government	15,487
Total Depreciations Expense - Governmental Activities	<u>\$ 599,651</u>

Business Type Activities

Water	\$ 114,047
Sewer	361,470
Solid Waste	369,670
Electric	36,523
Total Depreciations Expense - Business Type Activities	<u>\$ 881,710</u>

**NOTE 4 – LONG TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 20,497	\$ 15,160	\$ 20,497	\$ 15,160	\$ 15,160
Retirement Incentive	78,600	13,705	12,500	79,805	0
Net OBEP Liability	138,920	32,774	0	171,694	0
General Obligations Bonds/Notes	2,390,725	1,360,000	341,214	3,409,511	315,000
Total	<u>\$ 2,628,742</u>	<u>\$ 1,421,639</u>	<u>\$ 374,211</u>	<u>\$ 3,676,170</u>	<u>\$ 330,160</u>
Business Type Activities:					
Compensated Absences	\$ 13,551	\$ 16,537	\$ 13,551	\$ 16,537	\$ 16,537
Retirement Incentive	136,255	22,979	12,500	146,734	0
Net OBEP Liability	137,970	22,986	0	160,956	0
Bank Note	12,736	0	12,453	283	283
General Obligations Bonds/Notes	16,400	0	16,400	0	0
Revenue Notes	5,957,222	0	523,434	5,433,788	545,000
Total	<u>\$ 6,274,134</u>	<u>\$ 62,502</u>	<u>\$ 578,338</u>	<u>\$ 5,758,298</u>	<u>\$ 561,820</u>

**CITY OF WEST LIBERTY**  
Notes to Financial Statements  
June 30, 2013

**NOTE 4 – LONG TERM LIABILITIES (Continued)**

General Obligation Bonds/Notes

Governmental Activities

Four issues of unmatured general obligation bonds/notes, totaling \$3,435,000 before issuance costs are outstanding as of June 30, 2013. General obligations bonds/notes bear interest at rates ranging from 1.05% to 4.7% per annum and mature in varying annual amounts ranging from \$30,240 to \$135,000 with the final maturities due in the year ending June 30, 2032.

Details of the governmental activities general obligation bonds/notes payable at June 30, 2013 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2013
General Obligation Notes:						
Street Improvement Bond	08/15/09	1.25%-2.80%	06/01/16	Various	\$ 775,000	\$ 395,000
Elm Street Capital Note	11/01/06	3.75%-4.7%	06/01/17	Various	850,000	380,000
Capital Note	12/15/09	1.05%-4.10%	06/01/25	Various	1,600,000	1,300,000
Capital Note	06/28/13	2.40%-3.75%	06/01/32	Various	1,360,000	1,360,000
Total General Obligation Notes						<u>\$ 3,435,000</u>

A summary of the annual governmental activities general obligation bond/note principal and interest requirements to maturity by year is as follows:

Year Ending June, 30,	Principal	Interest	Total
2014	\$ 315,000	108,714	\$ 423,714
2015	385,000	103,328	488,328
2016	390,000	92,247	482,247
2017	265,000	70,251	335,251
2018	170,000	50,993	220,993
2019-2032	1,910,000	236,176	2,146,176
Total	<u>\$ 3,435,000</u>	<u>661,709</u>	<u>\$ 4,096,709</u>

**CITY OF WEST LIBERTY**  
Notes to Financial Statements  
June 30, 2013

**NOTE 4 – LONG TERM LIABILITIES (Continued)**

Revenue and Bank Notes

Two issues of unmatured revenue notes, totaling \$5,530,000 before issuance costs are outstanding at June 30, 2013. These notes bear interest at rates ranging from 0.5% to 7.05% and mature in varying annual amounts ranging from \$135,000 to \$420,000 with the final maturity due in the year ending 2028.

The resolution providing for the issuance of the revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a revenue note retirement account for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers to separate electric and wastewater improvement and replacement account shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
- (d) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

Details of business type activities revenue notes payable at June 30, 2013 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2013
Revenue Notes:						
Electric	05/03/11	0.5%-2.8%	12/01/17	Various	2,815,000	\$ 2,040,000
Sewer	12/15/08	4.0%-7.05%	06/01/28	Various	4,100,000	3,490,000
Total Business Type Activities						<u>\$ 5,530,000</u>

**CITY OF WEST LIBERTY**  
Notes to Financial Statements  
June 30, 2013

**NOTE 4 – LONG TERM LIABILITIES (Continued)**

Revenue and Bank Notes (Continued)

A summary of the annual business type activities revenue and bank notes principal and interest requirements to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2014	545,000	266,868	811,868
2015	560,000	252,628	812,628
2016	570,000	235,773	805,773
2017	595,000	151,052	746,052
2018-2021	1,235,000	756,424	1,991,424
2022-2026	1,345,000	524,165	1,869,165
2027-2028	680,000	72,450	752,450
Total	<u>\$ 5,530,000</u>	<u>\$ 2,259,360</u>	<u>\$ 7,789,360</u>

**NOTE 5 – INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue	
	Road Use	\$ 7270
	Tax Increment Financing	61,490
		<u>68,760</u>
FEMA Fund	General	<u>2,060</u>
Debt Service	General	68,939
	Special Revenue:	
	Tax Increment Financing	69,440
	Capital Project:	
	Street Improvement	54,860
	Enterprise:	
	Water	41,279
	Sewer	62,049
		<u>296,567</u>
Total		<u>\$ 367,387</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**CITY OF WEST LIBERTY**  
Notes to Financial Statements  
June 30, 2013

**NOTE 6 – DUE FROM AND DUE TO OTHER FUNDS**

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
Enterprise:	Enterprise:	
Sewer	Solid Waste	\$ 168,311
	Capital Projects:	
	Street Improvement	
	Dutton Project	93,956
		<u>\$ 262,267</u>
Debt Service	Enterprise:	
	Electric	<u>\$ 118,089</u>
Special Revenue:	Capital Projects:	
Road Use Tax	Street Improvement	<u>\$ 379,233</u>
General	Street Improvement	\$ 257,225
	Enterprise:	
	Solid Waste	163,736
	Electric	247,887
	Water	567,493
		<u>\$ 1,236,341</u>
Special Revenue:		
FEMA	General	<u>\$ 16,030</u>
Tax Increment Financing	General	\$ 1,490
	Enterprise:	
	Water	4,057
		<u>\$ 5,547</u>

These balances result from interfund loans to finance projects. Repayments will be made from future revenues.

**NOTE 7 – PENSION AND RETIREMENT BENEFITS**

**IPERS**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.



**CITY OF WEST LIBERTY**  
Notes to Financial Statements  
June 30, 2013

**NOTE 7 – PENSION AND RETIREMENT BENEFITS (Continued)**

Most regular plan members are required to contribute 5.38% of their annual salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$104,199, \$136,477, and \$109,075, respectively, equal to the required contributions for each year.

Deferred Compensation Plan (457(b)) ICMA

On April 20, 2010 the City of West Liberty Council passed a resolution that the City provides a one dollar for one dollar match up to \$150 per month per full time employee that participates in the optional 457(b) Deferred Compensation Plan.

**NOTE 8 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City is a member of Iowa Association of Municipal Utilities.

**NOTE 9 – LOCAL OPTION SALES TAX**

Commencing on July 1, 1995, the City began collecting a one percent local option sales tax. As approved by voters, the City is required to utilize the sales tax revenue as follows:

From July 1, 2005

33 1/3% for local property tax relief

33 1/3% for streets, curbs & gutters

33 1/3% for community development projects including improvement of library, other facilities, community cleanup and infrastructure.

**NOTE 10 – RPGI PARTICIPANT (AGENCY) AGREEMENT AND RPGI PRO RATA GUARANTY**

The City signed an RPGI Participant Agreement dated April 15<sup>th</sup>, 2006 with the Resale Power Group of Iowa (RPGI), an Iowa Chapter 28E Organization of which the City is a member. The purpose of the agreement is to permit RPGI to act as an agent for the City for entering into agreements for the purchase, generation, distribution, sale and interchange of electric energy. The agreement shall continue for successive five year terms until terminated by either party.

Related to the preceding agreement, the City also signed an RPGI Pro Rata Guaranty dated April 16, 2006 with the Resale Power Group of Iowa (RPGI). The purpose of the guaranty is to obligate the City to be contingently liable to RPGI in its role as a contracting agent and guarantor for the purchase of electric energy from Ameren Energy Marketing Company (AEM) of Illinois in behalf of the members of RPGI. The City's share of the RPGI's \$20M guaranty to AEM is 7.61%, or \$ 1,528,088 based upon the agreement among the members of RPGI.

**CITY OF WEST LIBERTY**  
Notes to Financial Statements  
June 30, 2013

**NOTE 10 – RPGI PARTICIPANT (AGENCY) AGREEMENT AND RPGI PRO RATA GUARANTY**  
**(Continued)**

The guaranty agreement was to terminate on February 15th, 2009, unless the agreement with the AEM terminates prior to that date. On February 15, 2009, the guaranty agreement was extended for five years.

**NOTE 11 – DEFICIT BALANCES**

At June 30, 2013, funds with deficit balances were as follows:

Capital Projects, Street Improvement	\$ 636,458
Capital Projects, Dutton Complex	\$ 93,956

These deficit balances are the result of project costs in excess of available funds. These deficits will be eliminated upon collection of road use tax and transfers to the Capital Project Fund.

Enterprise, Solid Waste	\$ 189,553
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This deficit balance is the result of operating costs exceeding revenues. It will be eliminated through future operating and transfers to the fund.

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description – The City operates a single-employer health plan which provides medical prescription drug and dental benefits for employees and retirees and their spouses/dependents. There are 26 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical prescription drug and dental benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of the plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

**CITY OF WEST LIBERTY**  
Notes to Financial Statements  
June 30, 2013

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual Required Contribution	\$ 95,280
Interest on Net OPEB Obligation	12,460
Adjustment to Annual Required Contribution	<u>(16,995)</u>
Annual OPEB Cost	90,745
Contributions Made	<u>(26,601)</u>
Increase in Net OPEB Obligation	64,144
Net OPEB Obligation Beginning of Year	<u>276,886</u>
Net OPEB Obligation End of Year	<u><u>\$ 341,030</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the City contributed \$26,601 to the medical plan. Plan members eligible for benefits contributed \$31,824 or 54% of the premium costs.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 101,379	6.82%	\$ 94,467
June 30, 2012	\$ 100,353	20.93%	\$ 79,350
June 30, 2013	\$ 90,745	29.31%	\$ 64,144

Funded Status and Funding Progress – As of June 30, 2013, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$584,287, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$584,287. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,291,190 and the ratio of the UAAL to covered payroll was 45.2%. As of June 30, 2013, there were no trust funds assets.

**CITY OF WEST LIBERTY**  
Notes to Financial Statements  
June 30, 2013

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care costs trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of the plan is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the June 30, 2013 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions include a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables. Annual retirement was based on historical average retirement age for the covered group, active plan members were assumed to retire at age 57, or the first subsequent year in which the member would qualify for benefits.

Projected claim costs of the medical plan are \$663 per month for retirees less than age 65. There were no retirees who have attained age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**NOTE 13 – TERMINATION BENEFITS**

The City offers a retirement incentive plan to its employees. The incentive is \$1,000 for every full year of service to the City beginning with a minimum of ten full years of service and a maximum of twenty-five full years of service. At June 30, 2013 the City has obligation to eleven employees with a total liability of \$195,700. There were no actual early retirement expenditures for the year ended June 30, 2013.

**NOTE 14 – SUBSEQUENT EVENTS**

Management evaluated subsequent events through November 8, 2013, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2013, but prior to November 8, 2013 that provided additional evidence about the conditions that existed at June 30, 2013, have been recognized in the financial statements for the year ended June 30, 2013. Events or transactions that provided evidence about conditions that did not exist at June 30, 2013, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2013.

**CITY OF WEST LIBERTY**

**City of West Liberty**  
 Budgetary Comparison Schedule of Receipts, Disbursements, and Changes  
 in Balances - Budget and Actual (Cash Basis) - Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 Year Ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds	Total	Original	Final	Actual to Budget
<b>Receipts:</b>						
Property Tax	\$ 1,070,831	0	1,070,831	1,056,974	1,056,974	13,857
Tax Increment Financing	130,930	0	130,930	128,663	128,663	2,267
Other City Taxes	256,333	0	256,333	416,085	416,085	(159,752)
Licenses and Permits	22,424	0	22,424	46,050	46,050	(23,626)
Use of Money and Property	158,508	29,772	188,280	53,450	53,450	134,830
Intergovernmental	417,059	0	417,059	441,380	441,380	(24,321)
Charges for Service	191,365	7,688,004	7,879,369	8,618,400	8,618,400	(739,031)
Miscellaneous	36,896	0	36,896	158,500	158,500	(121,604)
Total Receipts	<u>2,284,346</u>	<u>7,717,776</u>	<u>10,002,122</u>	<u>10,919,502</u>	<u>10,919,502</u>	<u>(917,380)</u>
<b>Disbursements:</b>						
Public Safety	737,176	0	737,176	761,903	860,703	123,527
Public Works	247,399	0	247,399	361,932	361,932	114,533
Culture and Recreation	831,229	0	831,229	864,733	897,733	66,504
General Government	150,793	0	150,793	129,992	152,992	2,199
Debt Service	418,499	0	418,499	418,500	418,500	1
Capital Projects	336,023	0	336,023	0	925,000	588,977
Business Type Activities	0	7,607,621	7,607,621	9,465,665	10,238,665	2,631,044
Total Disbursements	<u>2,721,119</u>	<u>7,607,621</u>	<u>10,328,740</u>	<u>12,002,725</u>	<u>13,855,525</u>	<u>3,526,785</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(436,773)	110,155	(326,618)	(1,083,223)	(2,936,023)	2,609,405
Other Financing Sources, Net	<u>1,454,507</u>	<u>(362,875)</u>	<u>1,091,632</u>	<u>2,250,000</u>	<u>2,250,000</u>	<u>(1,158,368)</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	1,017,734	(252,720)	765,014	1,166,777	(686,023)	1,451,037
Balances Beginning of Year	<u>1,129,493</u>	<u>3,728,123</u>	<u>4,857,616</u>	<u>13,351,900</u>	<u>13,351,900</u>	<u>(8,494,284)</u>
Balances End of Year	<u>\$ 2,147,227</u>	<u>\$ 3,475,403</u>	<u>\$ 5,622,630</u>	<u>\$ 14,518,677</u>	<u>\$ 12,665,877</u>	<u>\$ (7,043,247)</u>

**CITY OF WEST LIBERTY**  
Budget to GAAP Reconciliation

Required Supplementary Information

Year Ended June 30, 2013

	Governmental Funds			Proprietary Funds		
	Cash Basis	Accrual Adjust- Ments	Modified Accrual Basis	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 2,284,346	\$ 574	\$ 2,284,920	\$ 7,717,776	\$ (29,771)	\$ 7,688,005
Expenditures/Expenses	2,721,119	0	2,721,119	7,607,621	(289,320)	7,318,301
Net	(436,773)	574	(436,199)	110,155	259,549	369,704
Other Financing Sources, Net	1,454,507	0	1,454,507	(362,875)	0	(362,875)
Beginning Fund Balances/Net Assets	1,129,493	(1,191,352)	(61,859)	3,728,123	10,892,457	14,620,580
Ending Fund Balances/Net Assets	<u>\$ 2,147,227</u>	<u>\$ (1,190,778)</u>	<u>\$ 956,449</u>	<u>\$ 3,475,403</u>	<u>\$ 11,152,006</u>	<u>\$ 14,627,409</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF WEST LIBERTY**  
Notes to Required Supplementary Information  
Budgetary Reporting  
June 30, 2013

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for government with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget amendments did not increase budgeted revenues; however, the amendments did increase disbursements by \$1,852,800. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements in the general government and capital projects functions exceeded the amount budgeted.

## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF WEST LIBERTY**  
Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered payroll (b-a)/c)
2013	June 30, 2012	\$ 0	584,237	\$ 584,237	0	\$ 1,291,190	45.3%
2012	July 1, 2009	\$ 0	646,110	\$ 646,110	0	\$ 1,711,108	37.8%
2011	July 1, 2009	\$ 0	646,110	\$ 646,110	0	\$ 1,253,266	51.6%
2010	July 1, 2009	\$ 0	646,110	\$ 646,110	0	\$ 1,141,399	56.6%

See Note 13 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**CITY OF WEST LIBERTY**  
Combining Balance Sheet  
Nonmajor Governmental funds  
June 30, 2013

	Special Revenue					Capital Projects - Dutton	Debt Service	Total
	Road Use	FEMA	TIF Urban Renewal					
<b>Assets</b>								
Receivables:								
Property Tax:								
Delinquent	\$ 0	\$ 0	\$ 0	\$ 3,883	\$ 0	\$ 0	\$ 3,883	
Succeeding Year	0	0	0	111,223	0	0	111,223	
Tax Increment Financing:								
Succeeding Year	0	0	127,629	0	0	0	127,629	
Due From Other Governments	30,595	0	0	0	0	0	30,595	
Due From Other Funds	379,233	16,030	5,547	118,089	0	0	518,899	
Prepaid Expenditures	15,698	0	0	0	0	0	15,698	
<b>Total Assets</b>	<b>\$ 425,526</b>	<b>\$ 16,030</b>	<b>\$ 133,176</b>	<b>\$ 233,195</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 807,927</b>	

**Liabilities and Fund Balances**

<b>Liabilities:</b>								
Accounts Payable	\$ 1,882	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,882	
Salaries and Benefits Payable	1,790	0	0	0	0	0	1,790	
Due to Other Funds	0	0	0	0	93,956	0	93,956	
Deferred Revenue:								
Succeeding Year Property Tax	0	0	0	111,225	0	0	111,225	
Succeeding Year Tax Increment Financing	0	0	127,629	0	0	0	127,629	
<b>Total Liabilities</b>	<b>3,672</b>	<b>0</b>	<b>127,629</b>	<b>111,225</b>	<b>93,956</b>	<b>0</b>	<b>336,482</b>	
<b>Fund Balances</b>								
Nonspendable:								
Prepaid Expenditures	15,968	0	0	0	0	0	15,968	
Restricted For:								
Debt Service	0	0	0	121,970	0	0	121,970	
Road Use	405,886						405,886	
Community Development	0	16,030	5,547	0	0	0	21,577	
Unassigned					(93,956)		(93,956)	
<b>Total Fund Balances</b>	<b>421,854</b>	<b>16,030</b>	<b>5,547</b>	<b>121,970</b>	<b>(93,956)</b>	<b>0</b>	<b>471,445</b>	
<b>Total Liabilities and Fund Balances</b>	<b>\$ 425,526</b>	<b>\$ 16,030</b>	<b>\$ 133,176</b>	<b>\$ 233,195</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 807,927</b>	

See Accompanying Independent Auditors' Report.

**CITY OF WEST LIBERTY**  
Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
June 30, 2013

	Special Revenue				Capital Projects - Dutton	Total
	Road Use	FEMA	TIF Urban Renewal	Debt Service		
<b>Revenues:</b>						
Property Tax	\$ 0	\$ 0	\$ 0	\$ 111,271	\$ 0	\$ 111,271
Tax Increment Financing	0	0	130,930	0	0	130,930
Use of Money and Property	0	0	15	575	0	590
Intergovernmental	362,240	0	0	0	0	362,240
<b>Total Revenues</b>	<b>\$ 362,240</b>	<b>\$ 0</b>	<b>\$ 130,945</b>	<b>\$ 111,846</b>	<b>\$ 0</b>	<b>\$ 605,031</b>
<b>Expenditures:</b>						
<b>Operating:</b>						
Public Works	174,179	0	0	0	0	174,179
Debt Service	0	0	0	418,499	0	418,499
<b>Total Expenditures</b>	<b>174,179</b>	<b>0</b>	<b>0</b>	<b>418,499</b>	<b>0</b>	<b>592,678</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	188,061	0	130,945	(306,653)	0	12,353
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	0	2,060	0	296,567	0	298,627
Operating Transfers (Out)	(7,270)	0	(130,930)	0	0	(138,200)
<b>Total Other Financing Sources (Uses)</b>	<b>(7,270)</b>	<b>2,060</b>	<b>(130,930)</b>	<b>296,567</b>	<b>0</b>	<b>160,427</b>
<b>Net Changes in Fund Balances</b>	<b>180,791</b>	<b>2,060</b>	<b>15</b>	<b>(10,086)</b>	<b>0</b>	<b>172,780</b>
<b>Fund Balances Beginning of Year</b>	<b>241,063</b>	<b>13,970</b>	<b>5,532</b>	<b>132,056</b>	<b>(93,956)</b>	<b>298,665</b>
<b>Fund Balances End of Year</b>	<b>\$ 421,854</b>	<b>\$ 16,030</b>	<b>\$ 5,547</b>	<b>\$ 121,970</b>	<b>\$ (93,956)</b>	<b>\$ 471,445</b>

See Accompanying Independent Auditors' Report.

**CITY OF WEST LIBERTY**  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Four Years

Revenues:	2013	2012	2011	2010
Property Tax	\$ 1,070,831	\$ 1,012,623	\$ 1,003,077	\$ 885,240
Tax Increment Financing Revenue	130,930	129,404	128,722	128,126
Other City Tax	256,333	399,940	340,424	346,164
Licenses and Permits	22,424	16,272	13,939	12,138
Use of Money and Property	158,508	8,520	16,611	24,846
Intergovernmental	417,059	426,547	665,765	355,020
Charges for Service	191,365	203,540	192,775	163,550
Miscellaneous	37,470	496,317	169,380	146,849
Contributions	0	0	0	84,374
Total	<u>\$ 2,284,920</u>	<u>\$ 2,693,163</u>	<u>\$ 2,530,693</u>	<u>\$ 2,146,307</u>
Expenditures:				
Operating:				
Public Safety	\$ 737,176	\$ 1,073,607	\$ 767,273	691,962
Public Works	247,400	262,787	297,001	438,445
Culture and Recreation	824,134	790,730	880,917	996,276
General Government	150,793	186,254	144,649	125,713
Debt Service	418,499	423,010	414,881	336,939
Capital Projects	343,119	350,179	1,356,578	1,534,489
Total	<u>\$ 2,721,121</u>	<u>\$ 3,086,567</u>	<u>\$ 3,861,299</u>	<u>\$ 4,123,824</u>

## CITY OF WEST LIBERTY

Insurance in Force  
June 30, 2013

<u>Insurer</u>	<u>Description</u>	<u>Amount</u>	<u>Expiration Date</u>	<u>Remarks</u>	<u>Policy Number</u>	<u>Term</u>	<u>Inception Date</u>
Employers Mutual Co.	Property	\$ 16,597,733	04/01/14		8A9-30-44---14	1 Yr.	04/01/13
	Liability	1,000,000	Each Occurrence		8D9-30-44---14	1 Yr.	04/01/13
		2,000,000	Aggregate				
	Business Auto	1,000,000			8E9-30-44---14		
	Crime Coverage				8F9-30-44---14	1 Yr.	04/01/13
	Loss Inside Premises	10,000					
	Loss Outside Premises	10,000					
	Employee Dishonesty	25,000					
	Forgery	10,000					
	Inland Marine						
	Electronic Data Processing	Various Per Item			8C9-30-44---14	1 Yr.	04/01/13
	Contractors Equipment						
	Scheduled Property Floater						
	Umbrella Liability	5,000,000			8J9-30-40---14	1 Yr.	04/01/13
	Self Insured Retention	10,000					
The Hartford Accident and Indemnity Company	Worker's Compensation	500,000			8H9-30-44---14	1 Yr.	04/01/13
	Commercial Output	Various Per Item			8B9-30-44---14		
	Linebacker	1,000,000	Each Occurrence		8X9-30-44---14	1 Yr.	04/01/13
	Law Enforcement	1,000,000	Each Occurrence		8G9-30-44---14		
		2,000,000	Aggregate				
	Volunteer Firefighters		03/23/14	Volunteer Firefighters	83-VP-730207	1 Yr.	03/23/13
	Accidental Death & Dismember Benefit	50,000		Blanket			
	Accident Total Disability Benefit	100		Accident Policy			
	Accelerated Benefit (Living Benefit Option)	25,000		Weekly Benefit			
				Up to Age 65			

**CITY OF WEST LIBERTY**  
General Obligation and Revenue Bonds and Notes Maturities  
June 30, 2013

Year Ending June 30,	<u>Street Improvements Bond</u> <u>Issued August 15, 2009</u>		<u>Elm Street GO Note</u> <u>Issued November 1, 2006</u>		<u>GO Capital Loan</u> <u>Issued December 15, 2009</u>		<u>Electric Revenue Refunding</u> <u>Issued May 3, 2011</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2014	2.15%	130,000	4.00%	90,000	2.15%	95,000	1.40%	395,000
2015	2.50%	130,000	4.05%	95,000	2.55%	95,000	1.80%	400,000
2016	2.80%	135,000	4.10%	95,000	2.80%	95,000	2.20%	405,000
2017	-	0	4.15%	100,000	3.05%	100,000	2.50%	420,000
2018	-	0	-	0	3.25%	105,000	2.80%	420,000
2019	-	0	-	0	3.45%	105,000	-	0
2020	-	0	-	0	3.60%	110,000	-	0
2021	-	0	-	0	3.75%	115,000	-	0
2022	-	0	-	0	3.85%	120,000	-	0
2023	-	0	-	0	3.95%	125,000	-	0
2024	-	0	-	0	4.00%	130,000	-	0
2025	-	0	-	0	4.10%	135,000	-	0
Total		<u>395,000</u>		<u>380,000</u>		<u>1,330,000</u>		<u>2,040,000</u>

See Accompanying Independent Auditors' Report.



**CITY OF WEST LIBERTY**  
General Obligation and Revenue Bonds and Notes Maturities (Continued)  
June 30, 2013

Year Ending June 30,	<u>Sewer Revenue Capital Note</u>		<u>General Obligation Capital Loan</u>	
	<u>Issued December 15, 2008</u>		<u>Issued June 28, 2013</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2014	5.25%	150,000	0.00%	0
2015	5.50%	160,000	2.40%	65,000
2016	5.75%	165,000	2.40%	65,000
2017	6.00%	175,000	2.40%	65,000
2018	6.10%	185,000	2.40%	65,000
2019	6.20%	195,000	2.40%	65,000
2020	6.30%	210,000	2.40%	70,000
2021	6.40%	225,000	2.40%	70,000
2022	6.50%	235,000	2.60%	70,000
2023	6.60%	250,000	2.80%	75,000
2024	6.70%	270,000	3.00%	75,000
2025	6.80%	285,000	3.10%	75,000
2026	6.90%	305,000	3.20%	80,000
2027	7.00%	330,000	3.30%	80,000
2028	7.05%	350,000	3.40%	85,000
2029	-	0	3.50%	85,000
2030	-	0	3.60%	85,000
2031	-	0	3.70%	90,000
2032	-	0	3.75%	95,000
Total		<u>3,490,000</u>		<u>1,360,000</u>

See Accompanying Independent Auditors' Report.

**CITY OF WEST LIBERTY**  
Computation of Legal Debt Margin  
June 30, 2013

Actual Valuation at January 1, 2010	\$	134,823,837
Times %	x	5%
Legal Debt Limitation		<u>6,827,714</u>
Debt Applicable to Limitation		
Outstanding General Obligation Bonds and Notes at June 30, 2013		<u>3,465,000</u>
Legal Debt Margin	\$	<u><u>3,362,714</u></u>

**CITY OF WEST LIBERTY**  
 Electric Utility - Restricted Accounts Required by Bond Ordinance  
 Restricted Accounts Required by Bond Ordinance  
 June 30, 2013

	Account			
	Current Debt Service	Future Debt Service Reserve	Contingency (Renewal and Replacement)	Total
Cash and Investments - Beginning of Year	\$ 341,817	281,500	580,108	1,203,425
Cash Receipts - Transfers From Operating Cash	385,889			385,889
Total Cash and Investments Available	727,706	281,500	580,108	1,589,314
Cash Disbursements:				
Principal Payments	390,000			390,000
Interest Payments	46,045			46,045
Total Cash Disbursement	436,045	0	0	436,045
Cash and Investments - End of Year	\$ 291,661	281,500	580,108	1,153,269

**CITY OF WEST LIBERTY**  
Sewer Utility - Revenue Bond and Note  
Restricted Accounts Required by Bond Ordinance  
June 30, 2013

	Account			
	Current Debt Service	Future Debt Service Reserve	Contingency (Renewal and Replacement)	Total
Cash and Investments - Beginning of Year	\$ 32,929	528,000	476,041	1,036,970
Cash Receipts - Transfers From Operating Cash	395,153		55,652	450,805
Total Cash and Investments Available	428,082	528,000	531,693	1,487,775
Cash Disbursements:				
Principal Payments	161,400			161,400
Interest Payments	233,753			233,753
Total Cash Disbursement	395,153	0	0	395,153
Cash and Investments - End of Year	\$ 32,929	528,000	531,693	1,092,622

**CITY OF WEST LIBERTY**

Sewer Rates and Customers

June 30, 2013

Number of Sewer Customers as of June 30, 2013: 1,410

Sewer Rates as of June 30, 2013: \$4.30/1,000 gallons/month plus \$18.50 user fee/month  
minimum of 0-1,000 gallons \$22.80

Rural Usage: \$4.88/1,000 gallons/month plus \$26.83 user fee/month  
minimum for 0-1,000 gallons \$31.71

**CITY OF WEST LIBERTY**

Independent Auditors' Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance with  
*Government Auditing Standards*

June 30, 2013

# **HUCKFELDT & SMITH**

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL LIABILITY COMPANY

Randy L. Linn, CPA  
David A. Schebler, CPA  
Randall B. Sovey, CPA

## **Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Liberty, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 8, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of West Liberty, Iowa's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of West Liberty, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Liberty, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of West Liberty, Iowa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-13 and II-C-13 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Liberty, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of West Liberty, Iowa's Responses to Findings

The City of West Liberty, Iowa's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of West Liberty, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of West Liberty during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



HUCKFELDT & SMITH, P.L.C.

November 8, 2013



**CITY OF WEST LIBERTY**  
Schedule of Findings  
Year Ended June 30, 2013

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFECIENCIES:**

- II-A-12     Segregation of Duties – one important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation – We realize the segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal controls possible under the circumstances. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions.

Response – The City will continue to monitor this situation and make cost effective improvements.

Conclusion – Response accepted.

- II-B-12     Financial Statement Preparation – Management has chosen to utilize the auditors in drafting the annual financial statements and footnotes.

Recommendation – Management should prepare the financial statements but has not obtained the sufficient expertise necessary to prepare the financial statements and the footnotes

Response – Management agrees and understands.

Conclusion – Response accepted.

## CITY OF WEST LIBERTY

Schedule of Findings  
Year Ended June 30, 2013

### **Part III: Other Findings Related to Required Statutory Reporting:**

- III-A-12 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in the Attorney General’s opinion dated April 25, 1979.
- III-B-12 Travel Expenses – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-C-12 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
William Cline Shareholder of H.D. Cline, Co.	Parts, Supplies & Repairs	\$ 20,510

In Accordance with Chapter 362.5(3)(e) of the Code of Iowa, the transactions with the Council Member do not appear to represent conflicts of interest since the remuneration of employment is not directly affected as a result of the contract and the duties of employment do not directly involve the procurement or preparation of any part of the contract.

- III-D-12 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- III-E-12 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-F-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- III-G-12 Revenue Notes – No instances of non-compliance with the revenue note provisions were noted.
- III-H-12 Financial Condition – The Dutton Complex, a capital project fund, had a deficit fund balance at June 30, 2013 of \$93,956. The Street Improvement Fund, a capital project fund, had a deficit fund balance at June 30, 2013 of \$636,458. The Solid Waste Fund, an enterprise fund, has a deficit balance of \$189,553.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.

Response – Expenditures will be budgeted to offset the deficit balances.

Conclusion – Response accepted.

**CITY OF WEST LIBERTY**

Schedule of Findings

Year Ended June 30, 2013

III-I-12     Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the general government and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

**Part III: Other Findings Related to Required Statutory Reporting (Continued):**

III-J-12     Special Tax Levy Collections – Taxes levied for employee benefits should be recorded in a Special Revenue Fund.

Recommendation – The City should record the funds in a Special Revenue Fund.

Response – The City will consider creating a Special Revenue Fund to account for the employee benefit tax levies.

Conclusion – Response accepted.